

In the mid to late 1990s, Massachusetts restructured its electric utility companies in order to create a competitive wholesale electricity market. Restructuring required the electric utility companies to sell all of their generation assets and prohibited them from owning any generation except in very limited circumstances. The end result was that the electric utility companies in Massachusetts no longer generated electricity — they simply delivered electricity to customers and were responsible for maintaining the wires and equipment needed to do so. Because the deregulation process was likely to result in stranded assets for the utilities, a transition charge was created and added to the electricity delivery rate to reimburse distribution companies to make them whole.

The transition charge reimbursed distribution companies for the following: (1) any net book value of purchased generating plants unrecovered in sale; (2) any net value of contracts for purchased power unrecovered in sale; (3) regulatory assets;¹ and any nuclear plant shut-down and decommissioning expenses.² The following costs, excluding regulatory assets, were recovered from ratepayers through the transition charge:³

Boston Edison: \$3,170,831,000

Cambridge Electric: \$1,197,040,000

FG&E: \$87,986,000

Mass. Electric: \$3,207,347,000

WMECo: \$851,375,000

The total transition charges, excluding regulatory assets, in Massachusetts was \$8,704,800,000 in transition charges. These charges were distributed across all ratepayer classes and are still being recovered from some ratepayers today. The total transition costs for Cambridge Electric ratepayers, for example, was originally estimated to be recovered in 2026 for Cambridge.

¹ “Regulatory assets” is defined as “the unrecovered balance of deferred costs that otherwise would have been recognized in the period in which they were incurred but have been specifically approved for deferral and later recovery by the department.” See M.G.L. c. 164, §1G(b)(1)(iii).

² See M.G.L. c. 164, §1G(b)(1) and 220 C.M.R. §11.03(2)(d).

³ See Electricity, Price, Reliability, and Markets Report 2002-2004 at 20. Commonwealth of Massachusetts. Spring 2006.